



Blouberg Local Municipality
Financial statements
for the year ended 30 June 2016

Blouberg Local Municipality

(Registration number LM351)

Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity

Local Municipality
Category B

Nature of business and principal activities

Executive committee

Mayor

Selamolela S

Speaker

Thamaga MN

Chief Whip

Seduma MD

Members of Executive Committee

Ratladi SD

Masekwameng MR

Moetji NT

Sithukga SE

Tutja TP

Tjumana MM

Morapedi MA

Councillors

Rapheaga KT

Lehong MV

Rangata MJ

Mosebedi ME

Morukhu MB

Choshi MM

Raseruthe MA

Makobela SR

Boloka MP

Nabane NB

Sekwatlakwatla SP

Kgwatalala MM

Sekgoloane SE

Ntlatla MW (MPAC Chairperson)

Mathekgane CR

Mojodo MD

Kobe DM

Molokomme NO

Ntlema MA

Mashalane MS

Shongoane SL

Kotsinkwa PJ

Mathidza SE

Keetse MC

Maboya MS

Tlouamma NM

Chauke KR

Phosa MH

Modishetji MP

Mokgehle PS

Sekgoloane MJ

Grading of local authority

Grade 3 Local Municipality in terms of Remuneration of Public Office
Bearers Act (Act 20 of 1988)

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General Information

Acting Municipal Manager	Thabo Magabane
Acting Chief Finance Officer (CFO)	Malese Riba
Registered office	2nd Building Dendron Road Senwabarwana 0790
Business address	2nd Building Dendron Road Senwabarwana 0790
Postal address	P.O.Box 1593 Senwabarwana 0790
Bankers	ABSA
Auditors	Auditor- General of South Africa
Attorneys	
Telephone number	(015) 505 7100
Fax number	(015) 505 0296
E-mail address	info@blouberg.gov.za
Auditors	Auditor- General of South Africa

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
FMG	Finance Management Grant
MSIG	Municipal System Improvement Grant

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern .

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The financial statements set out on pages 5 to 51, which have been prepared on the going concern basis.

Acting Municipal Manager
Magabane T.G

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Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand		Note(s)	2016	2015 Restated*
Assets				
Current Assets				
Inventories	<u>30.20</u>	2	878 121	1 121 216
Cash and cash equivalents	<u>32.20</u>	3	28 886 115	18 523 131
Receivables from exchange transactions	<u>31.20</u>	4	8 062 375	7 643 660
Receivables from non-exchange transactions	<u>33.20</u>	5	28 166 641	20 522 879
Consumer debtors	<u>31.20</u>	6	4 292 479	4 264 896
VAT receivable	<u>31.20</u>	7	12 369 658	4 937 200
			82 655 389	57 012 982
Non-Current Assets				
Property, plant and equipment	<u>20.20</u>	8	790 503 211	760 563 116
Intangible assets	<u>23.22</u>	9	130 002	-
Investments	<u>24.20</u>	10	3 092 581	3 091 620
			793 725 794	763 654 736
Total Assets			876 381 183	820 667 718
Liabilities				
Current Liabilities				
Finance lease obligation	<u>25.29</u>	13	599 109	315 017
Payables from exchange transactions	<u>51.20</u>	11	26 201 070	27 216 139
Other financial liabilities	<u>41.27-28</u>	12	2 420 357	3 289 700
Consumer deposits	<u>51.20</u>	16	1	1
Unspent conditional grants and receipts	<u>43.20</u>	14	25 828 000	9 976 433
Provisions	<u>52.20</u>	15	6 543 396	5 346 365
			61 591 933	46 143 655
Non-Current Liabilities				
Finance lease obligation	<u>25.29</u>	13	78 953	350 288
Provisions	<u>52.20</u>	15	15 198 874	13 246 612
			15 277 827	13 596 900
Total Liabilities			76 869 760	59 740 555
Net Assets			799 511 423	760 927 161
Accumulated surplus	<u>40.24</u>		799 511 423	760 927 161

* See Note 33

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Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	17 211 368	17 100 326
Rental of facilities and equipment	18	1 091 288	820 363
Licences and permits		3 162 199	2 593 067
Interest received on outstanding debtors		305 630	388 434
Other income	20	5 635 014	1 442 623
Interest received - investment	19	1 502 913	1 039 732
Total revenue from exchange transactions		28 908 412	23 384 545
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	20 289 091	14 984 619
Transfer revenue			
Government grants & subsidies	22	204 282 178	170 247 002
Fines		1 167 250	1 733 222
Total revenue from non-exchange transactions		225 738 519	186 964 843
Total revenue	23	254 646 931	210 349 388
Expenditure			
Employee related costs	24	(77 510 563)	(69 841 764)
Remuneration of councillors	25	(12 906 297)	(12 138 877)
Depreciation and amortisation	27	(30 936 233)	(29 626 837)
Finance costs	28	(410 680)	(199 739)
Debt Impairment	26	(10 003 592)	(7 984 111)
Actuarial Loss		(410 271)	-
Repairs and maintenance		(4 803 592)	(1 895 151)
Bulk purchases	29	(23 268 195)	(19 313 157)
Contracted services	30	(3 582 391)	(3 160 405)
Loss on disposal of assets		(143 198)	(261 924)
General Expenses	31	(51 549 407)	(39 486 781)
Total expenditure		(215 524 419)	(183 908 746)
Surplus for the year		39 122 512	26 440 642

* See Note 33

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	649 004 815	649 004 815
Adjustments		
Correction of errors - Refer to note 34	85 481 704	85 481 704
Balance at 01 July 2014 as restated*	734 486 519	734 486 519
Changes in net assets		
Surplus for the year	26 440 642	26 440 642
Total changes	26 440 642	26 440 642
Restated* Balance at 01 July 2015	760 927 862	760 927 862
Changes in net assets		
Assets written off - laptop	(19 109)	(19 109)
Derecognition of chairs and coaches from register as per council resolution	(25 698)	(25 698)
Disposal of Auction assets	(494 144)	(494 144)
Net income (losses) recognised directly in net assets	(538 951)	(538 951)
Surplus for the year	39 122 512	39 122 512
Total recognised income and expenses for the year	38 583 561	38 583 561
Total changes	38 583 561	38 583 561
Balance at 30 June 2016	799 511 423	799 511 423
Note(s)		

* See Note 33

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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		7 010 329	6 984 619
Sale of goods and services		16 766 515	18 245 461
Grants		221 133 745	167 767 600
Interest income		1 502 913	1 039 732
Other receipts		4 295 126	1 227 983
		250 708 628	195 265 395
Payments			
Employee costs		(90 410 828)	(82 137 641)
Suppliers		(88 127 715)	(63 051 387)
Finance costs		(410 680)	(199 739)
		(178 949 223)	(145 388 767)
Total receipts		250 708 628	195 265 395
Total payments		(178 949 223)	(145 388 767)
Net cash flows from operating activities	32	71 759 405	49 876 628
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(61 272 934)	(46 481 199)
Purchase of other intangible assets	9	(136 244)	-
Net cash flows from investing activities		(61 409 178)	(46 481 199)
Cash flows from financing activities			
Finance lease payments		12 757	330 418
Net increase/(decrease) in cash and cash equivalents		10 362 984	3 725 847
Cash and cash equivalents at the beginning of the year		18 523 131	14 797 284
Cash and cash equivalents at the end of the year	3	28 886 115	18 523 131

* See Note 33

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	18 499 992	(99 993)	18 399 999	17 211 368	(1 188 631)	Due to illegal connection to electricity
Rental of facilities and equipment	351 576	(2)	351 574	362 589	11 015	More rentals on sports facilities
Licences and permits	3 837 204	(400 004)	3 437 200	3 162 199	(275 001)	Due to limited transactions at salelite offices which were not operational
Fines	2 649 996	(1 499 996)	1 150 000	1 167 250	17 250	Due to the value of fines issued less, reduced and withdrawls by prosecutor
Interest received on outstanding debtors	526 188	(4)	526 184	305 630	(220 554)	Due to council policy that defaulters should not be charged interest after being handed over
Other income	5 174 772	5 850 028	11 024 800	6 363 712	(4 661 088)	Due to planned township establishment that did not materialised because delay in stallation of service
Interest received - investment	985 800	-	985 800	1 502 913	517 113	Due to availability of enough cash in bank and interest rate recieved from the bank for the purpose of investing
Total revenue from exchange transactions	32 025 528	3 850 029	35 875 557	30 075 661	(5 799 896)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	15 500 004	5 176 996	20 677 000	20 289 091	(387 909)	
Transfer revenue						
Government grants & subsidies	198 881 004	34 001 473	232 882 477	204 282 178	(28 600 299)	Due to unspent grants from Treasury and CDM
Total revenue from non-exchange transactions	214 381 008	39 178 469	253 559 477	224 571 269	(28 988 208)	
Total revenue	246 406 536	43 028 498	289 435 034	254 646 930	(34 788 104)	
Expenditure						
Personnel	(84 290 513)	510 555	(83 779 958)	(77 510 563)	6 269 395	Due to unfilled vacant post because of demarcation
Remuneration of councillors	(13 314 924)	10	(13 314 914)	(12 906 297)	408 617	
Depreciation and amortisation	(8 720 376)	(39 954 875)	(48 675 251)	(30 936 233)	17 739 018	Due to removal of gravel road from the asset register
Finance costs	-	-	-	(410 680)	(410 680)	
Debt impairment	(6 242 796)	(4)	(6 242 800)	(10 003 592)	(3 760 792)	Due to method we used for impairment on debtors in current financial year it was different with method of last year
Repairs and maintenance	(2 745 960)	(2 143 980)	(4 889 940)	(4 803 592)	86 348	
Bulk purchases	(18 000 000)	(3 560 000)	(21 560 000)	(23 268 195)	(1 708 195)	Due to NERSA tariff increase and illegal connection
Contracted Services	(3 999 996)	379 996	(3 620 000)	(3 582 391)	37 609	
General Expenses	(53 380 458)	2 270 889	(51 109 569)	(52 656 345)	(1 546 776)	
Total expenditure	(190 695 023)	(42 497 409)	(233 192 432)	(216 077 888)	17 114 544	
	246 406 536	43 028 498	289 435 034	254 646 930	(34 788 104)	
	(190 695 023)	(42 497 409)	(233 192 432)	(216 077 888)	17 114 544	
Operating surplus	55 711 513	531 089	56 242 602	38 569 042	(17 673 560)	
Surplus on distribution of non-cash assets to owners	(7 503 720)	80 012	(7 423 708)	-	7 423 708	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	55 711 513	531 089	56 242 602	38 569 042	(17 673 560)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	15 500 004	5 176 996	20 677 000	-		20 677 000	20 289 091		(387 909)	98 %	131 %
Service charges	18 499 992	(99 993)	18 399 999	-		18 399 999	17 211 368		(1 188 631)	94 %	93 %
Investment revenue	985 800	-	985 800	-		985 800	1 502 913		517 113	152 %	152 %
Transfers recognised - operational	153 973 160	(1 721 601)	152 251 559	-		152 251 559	152 320 425		68 866	100 %	99 %
Other own revenue	13 039 740	3 450 018	16 489 758	-		16 489 758	11 361 381		(5 128 377)	69 %	87 %
Total revenue (excl capital transfers)	201 998 696	6 805 420	208 804 116	-		208 804 116	202 685 178		(6 118 938)	97 %	100 %
Employee costs	(84 089 964)	310 006	(83 779 958)	-	-	(83 779 958)	(77 510 563)	-	6 269 395	93 %	92 %
Remuneration of councillors	(13 314 924)	10	(13 314 914)	-	-	(13 314 914)	(12 906 297)	-	408 617	97 %	97 %
Debt impairment	(6 242 796)	(4)	(6 242 800)			(6 242 800)	(10 003 592)	-	(3 760 792)	160 %	160 %
Depreciation and amortisation	(8 720 376)	(39 954 875)	(48 675 251)			(48 675 251)	(30 936 233)	-	17 739 018	64 %	355 %
Finance charges	-	-	-	-	-	-	(410 680)	-	(410 680)	DIV/0 %	DIV/0 %
Bulk purchases	(18 000 000)	(3 560 000)	(21 560 000)	-	-	(21 560 000)	(23 268 195)	-	(1 708 195)	108 %	129 %
Other expenditure	(59 827 008)	897 705	(58 929 303)	-	-	(58 929 303)	(60 488 859)	-	(1 559 556)	103 %	101 %
Total expenditure	(190 195 068)	(42 307 158)	(232 502 226)	-	-	(232 502 226)	(215 524 419)	-	16 977 807	93 %	113 %
Surplus/(Deficit)	11 803 628	(35 501 738)	(23 698 110)	-		(23 698 110)	(12 839 241)		10 858 869	54 %	(109)%
Transfers recognised - capital	44 907 844	35 723 074	80 630 918	-		80 630 918	51 961 753		(28 669 165)	64 %	116 %
Surplus (Deficit) after capital transfers	56 711 472	221 336	56 932 808	-		56 932 808	39 122 512		(17 810 296)	69 %	69 %
Total capital expend	49 207 848	39 074 919	88 282 767	-		88 282 767	61 759 172		(26 523 595)	70 %	126 %

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Budget information In accordance with GRAP 1 and 24, has been provided in the statement of comparison of budget and actual and forms part of the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality's material variance is considered when there is a 6% deviation from the budget. The explanation for material variance between budget and actual are provided in the annexure of comparison of budget and actual.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and Paving	5 - 60
• Concrete	5 - 80
• Electricity	5 - 50
• Water	5 - 50
• Sewerage	10 - 50
• Buildings	5 - 50
• Recreational Facilities	5 - 50
• Security	5 - 50
• Halls	5 - 50
• Libraries	5 - 50
• Parks and Gardens	5 - 50
• Other Assets	5 - 50
Heritage Assets	
• Buildings	5 - 50
• Paintings and artifacts	5 - 50
Other property, plant and equipment	
• Buildings	5 - 50
• Specialist vehicles	5 - 15
• Other Vehicles	5 - 15
• Office Equipment	5 - 10
• Furniture and Fittings	5 - 7
• Watercraft	
• Bins and Containers	10 - 20
• Specialised plant and equipment	5 - 10
• Other items of plant and equipment	5 - 15
• Quarries	5 - 15
• Emergency equipment	5 - 10
• Computer equipment	

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Accounting Policies

1.5 Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.6 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventories are manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.7 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

INVESTMENTS AT AMORTISED COSTS

Investments, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENTS AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENTS AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

INVESTMENT GUARANTEE

The municipality's investment is fixed deposit held at ABSA as Eskom Guarantee.

The municipality does not have access, they only receive interest on that investment.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.9 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.10 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.12 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

1.13 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.14 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

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1.14 Capital Commitments (continued)

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- where the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.15 Vat

Vat is payable on the cash basis. Payment is received from debtors vat is paid over.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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1.17 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method on a time proportion basis.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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1.18 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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1.21 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted.

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1.21 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long term employee benefits

Long-term employee benefits are employee benefits that are due to be settled after twelve months after the end of period in which the employees render service.

Long-term employee benefits include items such as:

- Long service awards
- Long-term leave

1.22 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.22 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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1.22 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.22 Impairment of cash-generating assets (continued)

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.23 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.23 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.24 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Leave provision

Blouberg Local Municipality

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Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Impairment of non-cash-generating assets (continued)

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. These estimates and judgements were done by the lawyers.

1.25 Investments

1.26 Accumulated Surplus/(Loss)

The net assets of the municipality evidence the residual interest in the assets of an municipality after deducting all of its liabilities.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

The municipality must ensure that all adjusting and non-adjusting events after the reporting period are identified.

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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2. Inventories

Consumable stores	878 121	1 121 216
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No inventory of the municipality was lodged or pledged as security.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	2 065	74
Bank balances	28 884 050	18 523 057
	28 886 115	18 523 131

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
ABSA BANK Current Account	28 839 516	18 480 159	28 841 238	18 477 783
ABSA BANK Current Account	44 533	45 274	44 877	45 274
Total	28 884 049	18 525 433	28 886 115	18 523 057

4. Receivables from exchange transactions

Other receivables - prepaid electricity	209 467	215 790
Other receivables - CDM	6 917 205	6 169 190
Other receivables - rental	-	29 603
Other receivables - Land	935 703	1 229 077
	8 062 375	7 643 660

5. Receivables from non-exchange transactions

Traffic Fines	766 756	88 160
Other receivable- Senior Managers	62 212	62 212
Other	719 609	690 185
CDM - Free and basic water	2 956 985	2 956 985
Rates	23 661 079	16 725 337
	28 166 641	20 522 879

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Notes to the Financial Statements

Figures in Rand	2016	2015
5. Receivables from non-exchange transactions (continued)		
Receivables from non-exchange transactions		
Rates		
Current (0 -30 days)	357 221	325 403
31 - 60 days	166 400	138 363
61 - 90 days	102 509	137 417
91 - 120 days	96 297	73 343
121 - 365 days	20 581 367	13 152 681
> 365 days	35 262 958	26 377 775
	56 566 752	40 204 982
Less: Allowance for impairment		
Rates		
Rates	(32 716 571)	(23 479 645)
Traffic Fines	(4 193 953)	(4 070 399)
	(36 910 524)	(27 550 044)
Reconciliation of allowance for impairment - Rates		
Balance at beginning of the year	(23 479 645)	(15 865 068)
Contributions to allowance	(9 236 926)	(6 173 944)
	(32 716 571)	(22 039 012)
Traffic Fines		
Current (0 -30 days)	68 200	89 235
31 - 60 days	57 370	76 548
61 - 90 days	45 680	76 520
91 - 120 days	364 650	456 213
> 120 days	4 404 809	3 460 043
	4 940 709	4 158 559
Reconciliation of allowance for impairment - Traffic Fines		
Balance at beginning of the year	(4 070 400)	(3 855 740)
Contributions to allowance	(123 553)	(214 660)
	(4 193 953)	(4 070 400)
6. Consumer debtors		
Gross balances		
Electricity	4 133 301	3 989 497
Refuse	1 260 380	1 139 647
Debtors : Interest	1 214 977	1 054 236
Debtors : Vat on Services	849 495	767 783
Debtors Other	1 557 251	1 459 096
	9 015 404	8 410 259

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
6. Consumer debtors (continued)		
Less: Allowance for impairment		
Electricity	(2 390 581)	(2 163 966)
Refuse	(728 967)	(571 824)
Interest	(702 708)	(618 151)
Other	(900 669)	(791 422)
	(4 722 925)	(4 145 363)
Net balance		
Electricity	1 742 720	1 825 531
Refuse	531 413	567 823
Debtors : Interest	512 269	436 085
Debtors : Vat on service debtors	849 495	767 783
Debtors : Other	656 582	667 674
	4 292 479	4 264 896
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4 145 362)	(3 210 716)
Contributions to allowance	(577 563)	(934 646)
	(4 722 925)	(4 145 362)
Electricity		
Current (0 -30 days)	251 891	271 347
31 - 60 days	109 922	335 367
61 - 90 days	213 168	210 370
91 - 120 days	98 543	137 445
121 - 365 days	1 422 666	718 805
> 365 days	2 037 111	2 316 163
	4 133 301	3 989 497
Refuse		
Current (0 -30 days)	28 387	26 468
31 - 60 days	25 000	26 132
61 - 90 days	24 265	25 396
91 - 120 days	23 461	24 372
121 - 365 days	185 798	170 920
> 365 days	973 469	866 359
	1 260 380	1 139 647
Other (specify)		
Current (0 -30 days)	140 160	20 127
31 - 60 days	16 427	15 918
61 - 90 days	19 644	15 873
91 - 120 days	19 644	15 714
121 - 365 days	162 136	113 200
> 365 days	1 199 240	1 278 264
	1 557 251	1 459 096

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
7. VAT receivable		
Vat	12 706 025	5 273 567
Less : Provision for Bad debt	(336 367)	(336 367)
	12 369 658	4 937 200

8. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Restated Cost / Valuation	Restated Accumulated depreciation and accumulated impairment	Restated Carrying value
Land and Buildings	55 939 951	(16 570 597)	39 369 354	55 589 951	(15 003 328)	40 586 623
Infrastructure	936 993 191	(310 453 003)	626 540 188	897 096 801	(289 509 173)	607 587 628
Community Assets	136 275 024	(25 144 985)	111 130 039	110 263 670	(19 716 096)	90 547 574
Other Assets	22 702 582	(10 307 766)	12 394 816	20 156 204	(9 585 288)	10 570 916
Work in Progress	1 068 814	-	1 068 814	11 270 375	-	11 270 375
Infrastructure Work in Progress	-	-	-	6 457 977	-	6 457 977
Community Work in Progress	1 068 814	-	1 068 814	4 812 398	-	4 812 398
Total	1 152 979 562	(362 476 351)	790 503 211	1 094 377 001	(333 813 885)	760 563 116

Reconciliation of property, plant and equipment - 2016

	Restated Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land and Buildings	40 586 623	350 000	-		(1 567 269)	39 369 354
Infrastructure	607 587 660	34 062 717		6 457 977	(20 943 830)	626 540 188
Community	90 547 574	21 198 956		4 812 398	(4 007 421)	111 130 039
Other	10 570 916	4 942 441		-	(2 250 477)	12 394 816
Work in Progress	11 270 375	1 068 814		(11 270 375)	-	1 068 814
Infrastructure	6 457 977	-	-	(6 457 977)	-	-
Community Assets	4 812 398	1 068 814	-	(4 812 398)	-	1 068 814
	760 563 148	61 622 928	(1 492 399)	-	(30 190 471)	790 503 211

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Restated Opening balance	Restated Additions	Disposals	Transfers	Restated Depreciation	Total
Land and Buildings	42 558 588	334 922	-		(2 306 887)	40 586 623
Infrastructure	616 863 293	9 161 510	-	2 422 799	(20 859 942)	607 587 660
Community Assets	49 519 751	7 370 054	-	37 262 675	(3 604 906)	90 547 574
Other	8 629 039	4 806 928	(9 473)		(2 855 578)	10 570 916
Work in Progress	26 148 064	24 807 785	-	(39 685 474)	-	11 270 375
Infrastructure	2 134 168	6 746 608	-	(2 422 799)	-	6 457 977
Community Assets	24 013 896	18 061 177	-	(37 262 675)	-	4 812 398
	743 718 735	46 481 199	(9 473)	-	(29 627 313)	760 563 148

Pledged as security

No assets of municipality was lodge or pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Refer to Appendix B for more detail on property, plant and equipment

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	136 244	(6 242)	130 002	-	-	-

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	136 244	(6 242)	130 002

10. Investments

Name of company	Carrying amount 2016	Carrying amount 2015
Absa	3 092 581	3 091 620

The above amount is held by Absa for Eskom as a gaurentee.

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
11. Payables from exchange transactions		
Trade payables	8 444 535	12 095 048
Payments received in advance	3 599 947	1 775 304
Retentions	10 612 690	10 139 303
13th cheque provision	1 583 916	1 412 792
Prepaid electricity accrual	284 777	284 777
Liability - vat on debtors	1 675 205	1 508 915
	26 201 070	27 216 139
12. Other financial liabilities		
At amortised cost		
(Under) and Over banking	4 839	(68 169)
Interbank Transfer suspense	5 099	5 099
Receipt Reversal Suspense Account	162 168	(36 508)
AllDays Services : Unallocate	-	157 526
Salary Suspense Account	36 921	(6 274)
CDM : Creditors/Debtors WSP	342 173	342 173
Bank Unallocated Deposits	1 869 157	2 895 853
Total other financial liabilities	2 420 357	3 289 700
Current liabilities		
At amortised cost	2 420 357	3 289 700
13. Finance lease obligation		
Minimum lease payments due		
- within one year	688 011	431 263
- in second to fifth year inclusive	82 718	431 263
	770 729	862 526
less: future finance charges	(92 666)	(197 221)
Present value of minimum lease payments	678 063	665 305
Non-current liabilities	78 953	350 288
Current liabilities	599 109	315 017
	678 062	665 305
14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	24 828 000	8 841 166
CDM - For operational Maintenance Landfill site	1 000 000	1 000 000
CDM Grant	-	135 267
	25 828 000	9 976 433

Blouberg Local Municipality

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Current Liabilities				
Provision for leave	5 346 365	1 627 954	(430 923)	6 543 396
Total Current Provisions	5 346 365	1 627 954	(430 923)	6 543 396
Non Current Liabilities				
Provision for long-service awards	2 656 000	697 505	-	3 353 505
Provision for performance bonus	759 221	25 833	-	785 054
Provision for restoration cost for landfill site	9 831 391	1 228 924	-	11 060 315
Total Non Current Provisions	13 246 612	1 952 262	-	15 198 874
	18 592 977	3 580 216	(430 923)	21 742 270

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Current Liabilities				
Provision for leave	4 897 340	449 025	-	5 346 365
Total Current Provisions	4 897 340	449 025		5 346 365
Non Current Liabilities				
Provision for performance bonus	709 280	49 941	-	759 221
Provision for long-service awards	2 497 000	159 000	-	2 656 000
Provision for restoration cost	9 274 897	556 494	-	9 831 391
Total Non Current Provisions	12 481 177	765 435		13 246 612
Total Provisions	17 378 517	1 214 460	-	18 592 977

Non-current liabilities	15 198 874	13 246 612
Current liabilities	6 543 396	5 346 365
	21 742 270	18 592 977

Provision for Leave

The employees of Blouberg qualifies for the following long-service award additional leave for various periods of uninterrupted service

- 10 years uninterrupted service: 10 working days' leave
- 15 years uninterrupted service: 20 working days' leave
- 20 years uninterrupted service: 30 working days' leave
- 25 years uninterrupted service: 30 working days' leave
- 30 years uninterrupted service: 30 working days' leave
- 35 years uninterrupted service: 30 working days' leave
- 40 years uninterrupted service: 30 working days' leave
- 45 years uninterrupted service: 30 working days' leave

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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15. Provisions (continued)

Provision for performance bonus

Performance bonus is a benefit paid to the executive management after performance assessment are being done and expectations or targets are met.

Provision for long-service awards

The Long Service Bonus plans are defined benefit plans. As at year end, 187 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2016 is estimated at R 2 943 487. The Current-service Cost for the year ending 30 June 2016 is estimated at R 319359. It is estimated to be R 379312 for the ensuing year.

Key actuarial assumptions used:

Rate of interest

Discount rate	8.89%	8.49%
General Salary Inflation (long-term)	7.56%	7.15%
Nett Effective Discount Rate applied to Long Service Bonusses	1.24%	1.25%

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of fund obligation

Balance	3 353 758	2 656 000
Net liability / (asset)	3 353 758	2 656 000

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 656 253	2 497 000
Total expenses	287 234	384 000
Current service and Interest cost	319 359	332 000
Interest cost	215 024	209 000
Benefits Paid	(247 149)	(157 000)
Acturial (gains)/losses	410 271	(225 000)
Present value of fund obligation at the end of the year	3 353 758	2 656 000
Balance 30 June	3 353 758	2 656 000

Provision for restoration cost

The municipality has acquired Alldays landfill site and is also using Senwabarwana dumping site. The municipality does not own the Senwabarwana dumping site. The municipality is expected to rehabilitate both the Alldays landfill site and Senwabarwana dumping site at the end of their useful lives to avoid environmental pollution. The Alldays landfill site and Senwabarwana dumping site have a useful life for 8 years. The expected outflow is R (2016: R6 656 565) and R (2016: R4 403 748).

16. Consumer deposits

Electricity	1	1
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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
17. Service charges		
Sale of electricity	16 793 004	16 767 207
Refuse removal	418 364	333 119
	17 211 368	17 100 326
18. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1 091 288	820 363
19. Interest received - investment		
Bank	642 647	311 440
Investments	860 266	728 292
	1 502 913	1 039 732
20. Other income		
Advertisement	6 798	3 191
Building plans	57 141	60 843
Billboards	6 531	10 891
Burial fees	28 836	56 475
Cattle pound	89 097	39 749
Connection fees	40 609	66 782
Commission	1 309 334	601 617
Database registration	43 564	41 681
Fines - Tampered meters illegal connection	24 345	65 121
Free basic services water	375	165
Hawkers fees	316	747
Library services	1 184	3 950
LGSETA Refund capacity building	780 434	101 312
Logbook & carports	12 377	4 012
Other income	3 557	16 184
Photo copies	18 409	14 778
Reconnection fees	266 599	180 883
Tender documents	319 931	174 242
Sale of stands	2 625 577	-
	5 635 014	1 442 623

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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21. Property rates

Rates received

Residential	959 480	451 563
Commercial	1 403 925	426 559
State	16 796 931	11 628 711
Small holdings and farms	1 128 755	2 453 558
Heavy industries	-	24 228
	20 289 091	14 984 619

Valuations

Residential	214 250 013	176 147 513
Commercial	2 669 940 600	2 558 872 600
State	528 530 400	587 928 900
Municipal	46 296 572	23 802 572
Other	-	6 530 000
	3 459 017 585	3 353 281 585

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012.

A general rate of 0.0017 (2015: 0.0016) cents in the rand is applied to property valuations to determine assessment rates.

Rebates of 70% to farms, 20% on residential and 30% on business and state property owners.

Rates are levied on an annual basis. Interest at 5% per annum (2015: 5%), is levied on rates outstanding.

Blouberg Local Municipality

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
22. Government grants and subsidies		
Operating grants		
Equitable share	149 435 166	117 073 658
Financial Management Grant (FMG)	-	1 800 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
Expanded Public Works Programme (EPWP)	1 613 000	1 651 000
Expanded Public works program: CDM	342 259	684 086
	152 320 425	122 142 744
Capital grants		
Municipal Infrastructure Grant (MIG)	44 903 000	43 486 552
Municipal Electrification (DME)	7 000 000	3 000 000
Other Government grants and subsidies (CDM)	58 753	1 617 706
	51 961 753	48 104 258
	204 282 178	170 247 002

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	(1 800 000)	(1 800 000)
Conditions met - transferred to revenue	1 800 000	1 800 000
	-	-

Conditions still to be met - remain liabilities (see note 14).

Conditions of this grant is to support municipality on financial capacity and further appoint financial interns to capacitate budget and treasury office of the municipality.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Conditions is to capacitate municipality on issues of governance .

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	8 841 166	9 779 376
Current-year receipts	64 731 000	43 408 000
Conditions met - transferred to revenue	(44 903 000)	(43 486 552)
Grant withheld	(3 841 166)	(859 658)
	24 828 000	8 841 166

Conditions still to be met - remain liabilities (see note 14).

The grant is used to provide infrastructure service delivery to communities.

Expanded Public Works Programme (EPWP)

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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22. Government grants and subsidies (continued)

Current-year receipts	1 613 000	1 651 000
Conditions met - transferred to revenue	(1 613 000)	(1 651 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

To appoint community members in addressing unemployment within the municipality

CDM - Landfill Site

Current-year receipts	(1 000 000)	(1 000 000)
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Conditions still to be met - remain liabilities (see note 14).

CDM Grant

Balance unspent at beginning of year	(135 267)	1 676 459
Current-year receipts	-	760 600
Conditions met - transferred to revenue	135 267	(2 301 792)
	-	135 267

Conditions still to be met - remain liabilities (see note 14).

Support grant from the district on functions allocated to them but residing in our municipal jurisdiction

INEP

Current-year receipts	(7 000 000)	3 000 000
Conditions met - transferred to revenue	7 000 000	(3 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Conditions of the grant is to electrify communities in line with service delivery mandates.

23. Revenue

Service charges	17 211 368	17 100 326
Rental of facilities and equipment	1 091 288	820 363
Interest on Outstanding Debtors	305 630	388 434
Licences and permits	3 162 199	2 593 067
Other income - refer to note 21	5 635 014	1 442 623
Interest received - investment	1 502 913	1 039 732
Property rates	20 289 091	14 984 619
Government grants & subsidies	204 282 178	170 247 002
Fines	1 167 250	1 733 222
	254 646 931	210 349 388

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
24. Employee related costs		
Basic	45 334 974	40 667 202
Bonus	3 680 596	3 710 012
Medical aid - company contributions	2 854 892	2 313 947
UIF	321 900	312 667
SDL	409 232	384 780
Pension Fund contributions	9 642 128	8 945 616
Travel, motor car, accommodation, subsistence and other allowances	11 575 647	11 121 057
Overtime payments	1 142 761	1 034 355
Acting allowances	389 079	39 488
Housing benefits and allowances	335 344	272 607
Other employee related costs	1 824 010	1 040 033
	77 510 563	69 841 764

Remuneration of municipal manager

Annual Remuneration	697 991	662 688
Travel, motor, accommodation, subsistence and other allowances	264 176	236 469
Performance and other bonuses	55 000	60 557
Contributions to UIF, Medical and Pension Funds	150 131	146 178
	1 167 298	1 105 892

Remuneration of chief finance officer

Annual Remuneration	420 000	540 000
Travel, motor, accommodation, subsistence and other allowances	108 969	195 171
Performance and other bonuses	-	54 813
Contributions to UIF, Medical and Pension Funds	60 292	120 138
	589 261	910 122

Remuneration of executive directors

2016	Technical Services	Local Economic Development	Corporate Services	Community Services
Annual Remuneration	575 100	532 872	572 175	534 286
Performance and other bonuses	45 000	47 925	-	45 000
Travel, motor car, accommodation, subsistence and other allowances	375 070	317 241	368 354	368 585
Contributions to UIF, Medical and Pension Funds	101 091	123 159	100 564	101 091
	1 096 261	1 021 197	1 041 093	1 048 962

2015	Technical Services	Local Economic Development	Corporate Services	Community Services
Annual Remuneration	450 000	542 843	542 843	542 843
Performance and other bonuses	-	54 813	9 813	54 813
Travel, motor car, accommodation, subsistence and other allowances	179 870	194 414	293 099	248 099
Contributions to UIF, Medical and Pension Funds	82 555	119 727	98 298	98 298
	712 425	911 797	944 053	944 053

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
25. Remuneration of councillors		
Councillors	11 882 568	11 336 993
Councillors' pension contribution	1 023 729	801 884
	12 906 297	12 138 877
In-kind benefits		
The Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor as well as speaker has one full-time driver.		
26. Debt impairment		
Contributions to debt impairment provision	10 003 592	7 984 111
27. Depreciation and amortisation		
Property, plant and equipment	30 936 233	29 626 837
28. Finance costs		
Finance Leases	410 680	199 739
29. Bulk purchases		
Electricity	23 268 195	19 313 157
30. Contracted services		
Security Services	3 582 391	3 160 405

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Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
31. General expenses		
Administration and management fees	349 774	450 544
Advertising	422 035	257 728
Arts & Culture	125 000	120 335
Audit committee fees	316 469	177 883
Auditors remuneration	2 404 076	2 075 735
Bank charges	333 155	271 172
Beautification of Area	1 154 246	-
Building Planning Costs	-	105
Bursaries	1 342 642	250 883
CDM Grant : EPWP	273 622	684 086
Casual Workers	2 938 831	2 312 762
Cemetery Costs	166 733	15 385
Conferences and seminars	1 554 497	1 430 926
Consulting and professional fees	3 120 171	1 888 347
Consumables	406 102	461 692
Contribution to leave provision	-	316 000
Disaster Provision	13 358	10 000
Finance management grant expenses	1 232 287	1 155 974
Fleet Management Costs	233 218	250 459
Free basic service refuse	606 220	-
Free basic services electricity	451 509	888 041
Fuel and oil	2 827 044	2 934 457
Group Schemes	167 170	141 770
Health and Safety	2 300	11 316
IDP(cost) & PMS	81 807	615 457
IT expenses	2 540 364	2 171 721
Insurance	577 126	438 834
Land Management scheme	14 751	(8 910)
Lease rentals on operating lease	334 988	765 047
Licence fees - vehicles	87 320	54 412
MPAC expenses	114 626	124 175
Master Plans for Senwabarwana	850 000	964 912
Newsletter	83 270	125 517
PMS Cost	729 678	157 275
Postage and courier	5 133	13 372
Poverty Alleviation	5 829	5 825
Printing and stationery	892 439	814 440
Protective clothing	324 257	272 144
Provision for restoration costs of landfill site	1 228 924	221 572
Public participation	684 946	739 479
Refreshments	35 751	48 082
Refuse Bags	240 381	15 120
Risk Costs	11 368	-
Special Focus	657 131	184 413
Sport Development	845 580	530 008
Sport for employees	372 754	208 621
Sport ward committee	969 786	793 012
Sports development	900	-
Staff welfare	56 051	45 928
Subscriptions and membership fees	933 789	661 200
System Improvement	949 535	251 075
System Improvement : E-Natis	67 162	121 900
Telephone and fax	1 693 980	1 241 343
Training	1 020 362	1 169 259
Travel - local	7 998 983	6 943 101
Valuation costs	3 464 912	631 579
Ward Committee expenses	3 154 716	3 049 869
Water	80 349	11 399
	51 549 407	39 486 781

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Notes to the Financial Statements

Figures in Rand	2016	2015
32. Cash generated from operations		
Surplus	39 122 512	26 440 490
Adjustments for:		
Depreciation and amortisation	30 936 233	29 626 837
Loss on sale of assets and liabilities	-	261 924
Changes in working capital:		
Inventories	243 095	(338 903)
Receivables from exchange transactions	(418 715)	(1 103 984)
Consumer debtors	(27 583)	(984 662)
Other receivables from non-exchange transactions	(7 643 762)	(5 699 959)
Payables from exchange transactions	2 072 702	5 846 103
VAT	(7 432 458)	(2 653 013)
Unspent conditional grants and receipts	15 851 567	(2 479 402)
Consumer deposits	-	1
Other current financial liabilities	(944 186)	-
Other liability	-	961 196
	71 759 405	49 876 628
33. Prior period errors		
Statement of Financial Position		
Property Plant and Equipment		
Balance previously reported		815 861 708
Rural Road write off as per council decision		(55 896 470)
Finance lease assets i.r.o. 2015 only recognised in 2016		597 878
		<u>760 563 116</u>
Other financial liabilities		
Balance previously reported		4 289 700
Grant received from CDM was part of unallocated revenue now reclassified to Unspent conditional grant		(1 000 000)
		<u>3 289 700</u>
Unspent conditional grant		
Balance previously reported		8 976 433
Grant received from CDM was part of unallocated revenue now reclassified to Unspent conditional grant		1 000 000
		<u>9 976 433</u>
Finance Lease Liability		
Balance previously reported		-
Finance lease liability recognised - was previously treated as operating lease		(667 305)
		<u>(667 305)</u>
Payables from exchange transaction		
Balance previously reported		(25 400 092)
Vat on debtors liability previously disclosed under Receivables from exchange transactions		(1 508 915)
Payments in advance on debtors understated		(307 132)
		<u>(27 216 139)</u>
Consumer Debtors		
Balance previously reported		4 661 565
Recalculation of Impairment as Per GRAP		(396 669)
		<u>4 264 896</u>
Receivables from Non-exchange transactions		
Balance previously reported		31 754 936
Traffic Fines		(430 108)
Recalculation of Impairment as Per GRAP		(10 801 949)
		<u>20 522 879</u>

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Figures in Rand	2016	2015
33. Prior period errors (continued)		
Accumulated Surplus - 2015		
Mayoral Chain		-
Recalculation of Impairment as per GRAP		4 127 622
Other adjustments		(33 941)
Depreciation written back i.r.o. rural roads		(22 358 588)
Interest charge on finance lease		199 739
Traffic fines previously incorrectly raised		428 108
Finance lease expenditure previously expense under rental		(431 418)
Depreciation on finance lease		298 955
		<u>(17 769 523)</u>
Accumulated Surplus - 2014		
Recalculation of Impairment as per GRAP		4 087 197
Amount received in 2010 i.r.o Public works debtor incorrectly receipted in revenue instead of debtors accounts now corrected in 2016		3 083 000
Rental accounts were not charged correct tariff now corrected in 2016		56 449
Rural roads written off		78 255 058
		<u>85 481 704</u>
Statement of Financial Performance		
Depreciation and Amortization		
Balance previously reported		51 686 470
Rural roads depreciation written back		(22 358 588)
Depreciation on Finance lease assets		298 955
		<u>29 626 837</u>
General Expenses		
Balance previously reported		39 918 199
Finance lease expenditure previously expense under rental		(431 418)
		<u>39 486 781</u>
Debt Impairment		
Balance previously reported		(3 856 489)
Additional Impairment after recalculation of Impairment as per GRAP		(4 127 622)
		<u>(7 984 111)</u>
Finance Cost		
Balance previously reported		-
Interest charges on Finance lease		(199 739)
		<u>(199 739)</u>
Traffic Fines		
Balance previously reported		2 161 330
Fines incorrectly raised in 2015		(428 108)
		<u>1 733 222</u>
34. Unauthorised expenditure		
Opening Balance	80 983 301	41 504 083
Unauthorised expenditure current	-	39 479 218
	<u>80 983 301</u>	<u>80 983 301</u>

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Figures in Rand	2016	2015
35. Fruitless and wasteful expenditure		
Opening balance	371 634	328 757
Fruitless and wasteful current year	23 890	42 877
	395 524	371 634
Fruitless and wasteful expenditure arose as a result of interest expenses incurred due to late payments of supplier invoice.		
36. Irregular expenditure		
Opening balance	47 435 892	21 109 639
Add: Irregular Expenditure - current year	18 873	26 326 253
	47 454 765	47 435 892
The irregular expenditure is due to non compliance with supply chain processes. The municipality will investigate the irregular expenditure.		
37. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	933 789	654 070
Amount paid - current year	(933 789)	(654 070)
	-	-
Audit fees		
Current year subscription / fee	2 404 076	2 075 735
Amount paid - current year	(2 404 076)	(2 075 735)
	-	-
PAYE and UIF		
Opening balance	-	879 212
Current year subscription / fee	13 393 620	12 474 240
Amount paid - current year	(13 366 214)	(12 474 240)
Amount paid - previous years	-	(879 212)
	27 406	-
Pension and Medical Aid Deductions		
Opening balance	-	1 405 632
Current year subscription / fee	9 453 665	11 474 677
Amount paid - current year	(9 453 665)	(11 474 677)
Amount paid - previous years	-	(1 405 632)
	-	-
VAT		
VAT receivable	12 706 025	5 273 567
Provision for Bad Debt - Vat	(336 367)	(336 367)
	12 369 658	4 937 200

VAT output payables and VAT input receivables are shown in note .

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Notes to the Financial Statements

Figures in Rand	2016	2015
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	637 597	2 367 146
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	2 954 000
Total capital commitments		
Already contracted for but not provided for	637 597	2 367 146
Not yet contracted for and authorised by accounting officer	-	2 954 000
	637 597	5 321 146
Authorised operational expenditure		
Already contracted and provided for		
• Security Services	484 574	4 055 316
• Other	1 100 000	-
	1 584 574	4 055 316
Total operational commitments		
Already contracted for but not provided for	1 584 574	4 055 316
Total commitments		
Total commitments		
Authorised capital expenditure	637 597	5 321 146
Authorised operational expenditure	1 584 574	4 055 316
	2 222 171	9 376 462
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	878 569
- in second to fifth year inclusive	-	2 337 461
	-	3 216 030
39. Distribution Losses		
Electricity	1 989 381	3 124 799
	1 989 381	3 124 799
The municipality purchased 15 640 121 (units) from Eskom and sold and used 17 629 502 (units) hence there is a difference of 1 989 381 (units) between the purchases and sales. This amounts to a distribution % loss of 11.28% .		
40. Contingencies		
Contingent Liability	2 313 460	1 900 000

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41. Related parties

Interest paid to (received from) related parties

Commission received from related parties	1 309 334	1 136 125
Debtors	6 917 205	5 294 249
Grants received from CDM	-	1 000 000

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services.

Compensation to accounting officer and other key management

Remuneration	20 364 828	20 149 183
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Key management information

Municipal manager

Annual Remuneration	697 991	662 688
Performance and other bonuses	55 000	60 557
Travel, motor car, accommodation, subsistence and other allowances	264 176	236 469
S & T	-	96 427
Contributions to UIF, Medical and Pension Funds	150 131	130 809
	1 167 298	1 186 950

Chief Financial Officer

Annual remuneration	420 000	541 600
Performance and other bonuses	-	54 813
Travel, motor car, accommodation, subsistence and other allowances	108 969	195 171
S & T	39 773	129 481
Contributions to UIF, Medical and Pension Funds	60 292	120 138
	629 034	1 041 203

2016

Remuneration of individual Executive Directors

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual remuneration	532 872	575 100	572 175	534 286
Performance and other bonuses	47 925	45 000	-	45 000
Travel, motor car, accommodation, subsistence and other allowances	217 425	238 935	286 950	239 025
Contributions to UIF, Medical and Pension Funds	123 159	101 091	100 564	101 091
S & T	99 816	136 125	81 404	129 560
	1 021 197	1 096 251	1 041 093	1 048 962

2015

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	542 843	450 000	542 843	542 843
Performance and other bonuses	54 812	-	9 813	54 813
Travel, motor car, accommodation, subsistence and other allowances	194 414	179 870	293 099	248 099
Contributions to UIF, Medical and Pension Funds	119 727	82 555	98 298	98 298
S & T	65 463	71 005	11 236	97 525
	977 259	783 430	955 289	1 041 578

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Financial Statements for the year ended 30 June 2016

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Figures in Rand	2016	2015
41. Related parties (continued)		
Remuneration of Councillors		
Mayor(Selamolela S) remuneration,pension, cellphone allowance and housing allowance	783 558	678 094
Speaker (MN THAMAGA) remuneration,pension, cellphone allowance and housing allowance	630 870	577 755
Chief Whip (Seduma MD) remuneration,pension, cellphone allowance and housing allowance & disbursements	592 978	575 697
Councillors' pension and medical aid contributions	786 524	801 884
Councillors' allowances and remuneration	9 981 570	9 412 131
Disbursements of councillors	2 681 744	2 102 544
	15 457 244	14 148 105

Related party per Councillor	Basic Salary	Allowances	S & T	Total 2016	Total 2015
Selamolela S	464 028	319 530	56 415	839 973	214 309
Thamaga M. N	371 218	259 652	3 613	634 483	602 146
Seduma MD	348 022	244 957	109 915	702 894	272 882
Masekwameng M.R	348 022	244 957	101 849	694 828	631 542
Mashuhla M.W	-	-	-	-	83 713
Moetji N T	184 618	140 134	136 809	461 561	292 985
Ratladi SD	348 022	244 957	138 204	731 183	673 183
Sekgolane S.E	136 322	112 843	2 430	251 595	708 596
Sithukga S.E	192 722	146 031	72 202	410 955	418 164
Tutja T.P	192 722	146 031	114 190	452 943	443 827
Tjumana M.M	192 722	146 031	40 321	379 074	393 332
Morapedi M.A	192 722	146 031	92 475	431 228	416 184
Ntlatla M.W	179 803	137 882	83 319	401 004	355 603
Rapheaga K.T	140 106	112 843	27 609	280 558	256 806
Lehong M.V	140 106	112 843	53 304	306 253	272 539
Rangata M.J	140 106	112 843	115 138	368 087	328 343
Mosebedi M.E	140 106	112 843	75 048	327 997	307 438
Morukhu M.B	140 106	112 843	39 418	292 367	319 297
Chosi M.M	140 106	112 843	66 547	319 496	598 574
Raseruthe M.A	140 106	112 843	39 525	292 474	301 679
Makobela S.R	140 106	112 843	67 141	320 090	275 732
Boloka M.P	140 106	112 843	63 709	316 658	290 159
Nabane N.B	140 106	112 843	26 256	279 205	263 845
Sekwatlakwatla S.P	140 106	112 843	52 518	305 467	290 534
Kgwatalala M.M	140 106	112 843	48 198	301 147	259 940
Manetja M.R	-	-	-	-	238 486
Sekgoloane MJ	140 106	112 843	41 447	294 396	-
Mathekgane C.R	140 106	112 843	78 287	331 236	321 091
Mojodo M.D	140 106	112 843	96 165	349 114	316 635
Kobe D.M	140 106	112 843	80 234	333 183	317 105
Molokomme N.O	140 106	112 843	-	252 949	243 139
Ntlema M.A	140 106	112 843	60 966	313 915	240 016
Mashalane M.S	140 106	112 843	80 292	333 241	368 855
Shongoane S.L	140 106	112 843	32 138	285 087	268 733
Kotsinkwa P.J	140 106	112 843	43 769	296 718	240 016
Mathidza S.E	140 106	112 843	42 612	295 561	256 654
Keetse M.C	140 106	112 843	104 332	357 281	315 112
Maboya M.S	140 106	112 843	23 159	276 108	248 853
Tlouamma N.M	140 106	112 843	73 187	326 136	287 328
Chauke K.R	140 106	112 843	109 569	362 518	346 869
Phosa M.H	140 106	112 843	48 884	301 833	274 906
Modishetjie M.P	140 106	112 843	81 415	334 364	303 373
Mokgehle P.S	140 106	112 843	59 135	312 084	289 582
	7 214 017	5 561 483	2 681 744	15 457 244	14 148 105

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42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other Payables - cash flow hedges				
Trade and other Payables	26 201 070	-	-	-
Other financial liabilities	2 420 357	-	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other Payables - cash flow hedges				
Trade and other Payables	25 400 092	-	-	-
Other financial liabilities	4 289 700	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Trade and Other receivables	40 521 495	44 060 161
Vat Receivable	12 369 658	4 937 199

43. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

An amount of R 1 954 334 (2015: 3 460 517) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

45. Events after the reporting date

Two wards with 14 villages were incorporated on 03 august 2016 into the blouberg municipality by the demarcation board from the Aganang Municipality on 03 August 2016.

A786 beneficiaries will qualify for free basic electricity.

9 Employees from Aganang is transfered to Blouberg municipality.

Other assets , intangible asset are transferred from Aganang to Blouberg municipality.